

Chapter 8D: Managing Fiscal Resources

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INTRODUCTION

The information contained in this chapter is presented to fulfill the requirements of the 1997 Everglades Oversight Act (Chapter 97-258, Laws of Florida) as they relate to the reporting of financial information for the Everglades Construction Project (ECP). The 1994 Everglades Forever Act (EFA) requires the South Florida Water Management District (District or SFWMD) to provide annually a comparison of actual versus projected revenues and a projection of costs and revenues over the succeeding five-year period (**Figures 8D-1 through 8D-4.**)

The EFA directed the District to separately account for all monies used to fund the ECP. In November 1996, the citizens of Florida voted in favor of a constitutionally created Everglades Trust Fund. The legislation passed in 1997 (Chapter 97-258, Laws of Florida) references the Everglades Trust Fund and requires specific, identified funds to be placed in it. This fund, which strengthened Everglades oversight, will be used to account for all revenues and expenses associated with the ECP. The District has developed a format for reporting financial information for the Everglades Trust Fund in a clear and concise manner. The Joint Legislative Committee on Everglades Oversight has approved the format the District uses when submitting its quarterly expenditure reports to the Governor, the legislature and the public. (The “Everglades Trust Fund Quarterly Report of Expenditures” is accessible through the District’s Website at <http://www.sfwmd.gov/org/bud/ecp/qtrly/ecpqtrly.html>). Multiple funding sources are contemplated for the Everglades Program.

A dedicated funding source is essential to conduct Everglades and Florida Bay protection and restoration programs. The ECP is one of the largest public works projects in the nation for environmental restoration, estimated to cost approximately \$867 million over 20 years (Everglades Construction Project – Financial Schedules, October 2001).

Florida Bay Restoration Program activities are ongoing. The cost estimate for such activities is currently under review and will be updated by the U.S. Army Corps of Engineers. The previous cost estimate was more than \$367 million with an expected completion date in 2004.

SOURCES OF REVENUE

Ad Valorem Taxes Provide \$32.0 Million in FY2001

The EFA gives the District the authority to levy *ad valorem* taxes of up to 0.1 mill within the Okeechobee Basin for land acquisition, design and construction of the ECP. As required by the EFA, this will be the sole direct contribution of *ad valorem* taxes for the construction project. For Fiscal Year 2001 (FY2001), net *ad valorem* tax revenues were approximately \$32.0 million (unaudited) through September 30, 2001. A total of \$279 million in *ad valorem* tax revenue (approximately 32.2 percent of total revenues) is projected to be collected through FY2004 to fund the ECP. The other funding sources designated by the EFA for the ECP include agricultural privilege taxes, state land funds, federal funds, excess revenues from Alligator Alley tolls, other environmental mitigation funds and any additional funds that become available for this purpose from any other source.

EAA Agricultural Privilege Tax Raises \$11.9 Million in FY2001

To fund the first phase of the Everglades Restoration Program, the EFA imposes an annual tax for the privilege of conducting an agricultural trade or business within the Everglades Agricultural Area (EAA) and C-139 basins. The EFA specifies that the annual per-acre tax be collected through the normal county tax collection process.

The EAA agricultural privilege tax rate ranges from a minimum of \$24.89 per acre from 1994 to 1997 to a potential maximum of \$35 per acre from 2006 to 2013. Actual net EAA agricultural privilege taxes collected in FY2001 were approximately \$11.9 million (unaudited) through September 30, 2001. After the year 2013, the tax rate will decrease to \$10 per acre to fund the operations and maintenance of the Stormwater Treatment Areas (STAs).

The amount of taxes collected each year is reduced by early payment discounts provided by each county. These discounts can range from one to four percent, depending on the timeliness of the payment. County processing/collection fees and commissions further reduce the amount of revenue available to fund the ECP.

The EFA encourages optimal performance of Best Management Practices (BMPs) (Chapter 3) to maximize the reduction of total phosphorus (TP) loads at points of discharge from the EAA by providing an incentive credit against the Everglades agricultural privilege tax. Each percentage point by which phosphorus loads are reduced beyond the 25 percent EAA Basin requirement will result in incentive credits against the EAA agricultural privilege tax as follows: \$0.54 per acre for tax notices mailed from November 1998 through November 2001; \$0.61 per acre for tax notices mailed from November 2002 through November 2005; and \$0.65 per acre for tax notices mailed in November 2006 through November 2013. Incentive credits will not reduce the agricultural privilege tax rate to less than the \$24.89 per-acre minimum ("minimum tax"). The EFA also provides incentive credits to individual growers for meeting TP load or TP concentration reduction targets. Individual parcels of property shall be subject to the minimum tax if they have achieved the following annual TP load reduction standards: 35 percent or more for tax notices mailed from November 1998 through November 2001; 40 percent or more for tax notices mailed from November 2002 through November 2005; and 45 percent or more for tax notices mailed from November 2006 through November 2013. In addition, any parcel of property that achieves a

TP concentration of 50 parts per billion (ppb) shall be subject to the minimum tax in the next calendar year.

EAA Vegetable Acreage

The EFA recognizes that vegetable farming is subject to both volatile market conditions and crop loss from natural events. If the governor, president or U.S. Department of Agriculture declares a state of emergency or a disaster due to natural conditions, payment of agricultural privilege tax will be deferred one year. Since 1994, when the tax went into effect, this provision has been applied once, in 1997.

C-139 Basin Agricultural Privilege Tax Raises \$626,074 in FY2001

As specified in the EFA, for the 20-year period between 1994 and 2013 the total amount of tax to be assessed annually will not exceed \$654,656. Beginning in 2014, the tax will be assessed at the rate of \$1.80 per acre. In FY2001, the net C-139 Basin agricultural privilege taxes collected were \$626,074 (unaudited) through September 30, 2001. The amount paid by an individual property owner may change from year to year, depending on the number of acres within the C-139 Basin that are classified as agricultural.

Alligator Alley Toll Revenues Could Provide \$63 Million

The EFA includes the legislative finding that Alligator Alley, designated as State Highway 84 and U.S. Interstate Highway 75, contributed to the alteration of water flows in the Everglades and affected ecological patterns of the historic Southern Everglades. The legislature determined it is in the public interest to establish a system of tolls for Alligator Alley to raise money to help restore the natural values lost by the highway's construction.

Toll revenues must be split equally between the Everglades and Florida Bay restoration projects. Projects that qualify for these funds include the ECP; land acquisition to move STA-3/4 out of the Toe-of-the-Boot (an Everglades remnant area in the Holeyland Tract at the south end of the EAA); water conveyance projects that enable more water resources to reach Florida Bay; engineering design plans for wastewater treatment facilities for Florida Bay marine waters; and highway redesign to improve sheetflow of water across the Southern Everglades.

In 1996, the District and the Florida Department of Transportation received federal authorization to redirect the use of Alligator Alley tolls for these projects. The Department of Transportation and the District entered into a Memorandum of Understanding in 1997, setting out the basis for depositing the funds in the Everglades Trust Fund. This was quickly followed by the transfer and deposit of \$17 million in excess toll money, representing the first transfer. These funds were allocated based on EFA requirements. As such, the funds were split equally, at \$8.5 million each, between the Everglades Construction and Florida Bay projects. From FY1998 through FY2001, a total of \$8,125,000 was received from the Florida Department of Transportation, which was also split equally between both projects.

Project Estimates and Cash Flow Updated for Everglades Construction Project

Project estimates and cash flow underwent further review, validation and updating in FY2001. Current cash flow estimates reflect projected cash deficits for FY2002 through FY2006 at the conclusion of the construction period. Funds borrowed to make up these deficits could be paid back from projected cash balances generated during the operations and maintenance period beginning in FY2007 through FY2014 (more ECP financial information can be obtained through the “Everglades Construction Project Financial Schedules,” accessible through the South Florida Water Management District’s Website at http://www.sfwmd.gov/org/erd/ecp/3_finschd.html).

Current estimates reflect recent settlements on land acquisition that exceeded budgeted amounts, as well as construction estimate adjustments based on schedule optimization and refinements to previous cost estimates. In addition, as construction contracts have been awarded, actual contract information has replaced both cost and construction-period estimates. The current estimates reflect the construction period through FY2006 for some project components that do not affect STA startup dates or statutory completion dates.

Federal Government To Provide Funding

The Water Resources Development Act of 1996 provides cost-sharing funding for some programs related to Everglades restoration. In particular, the EFA authorizes the U.S. Army Corps of Engineers to move ahead with STA-1 East/C-51 West, C-111 land acquisition, construction and water quality improvement projects and the Central and Southern Florida Project Restudy.

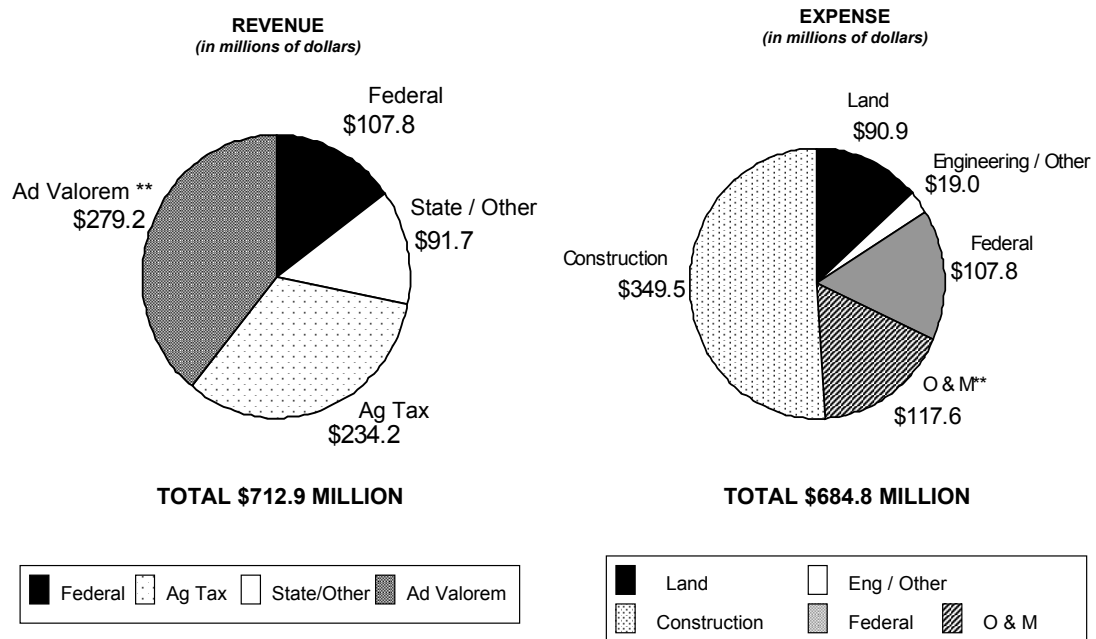
STA 1-East/C-51 West is the only ECP element that is federally funded. A major portion of the total estimated cost of \$252.5 million, or approximately \$231.7 million, will be born by the federal government. The remaining \$20.8 million is the local share.

The Florida Bay/Southern Everglades Restoration projects are comprised of the Modified Water Deliveries, C-111 South Dade Project and the Experimental Water Delivery Project. Each is an authorized project of the U.S. Army Corps of Engineers. The cost estimate is currently being updated and was not available at the time of print for inclusion in this report. The previous cost estimate was valued over \$367 million with an anticipated completion in 2004.

Funding for the estimated \$7.8 billion Comprehensive Everglades Restoration Plan (CERP), formerly known as the C&SF Restudy (Chapter 7), will be shared equally between the federal government and local/state agencies (for more information, please refer to the District’s CERP Website at <http://www.evergladesplan.org>).

Unfunded Act Mandates Total \$78 Million

In addition to the ECP, the EFA requires other significant mandates totaling approximately \$78 million through the year 2014 which are currently unfunded. The District expects to recalculate this unfunded mandate amount during Fiscal Year 2002 and provide the updated financial data in next year’s report. These unfunded mandates include research, regulatory program development and implementation, exotic species control and other activities. Since the EFA did not designate funding sources beyond the Everglades Construction Project, the District will rely almost exclusively on *ad valorem* funds to cover these mandates.

ORIGINAL PROJECTED ESTIMATES - 1994

** Excludes operating millage and expense for Non-STA O&M

Figure 8D-1. Original Projected Estimates - 1994

Current Project Estimates - 2001

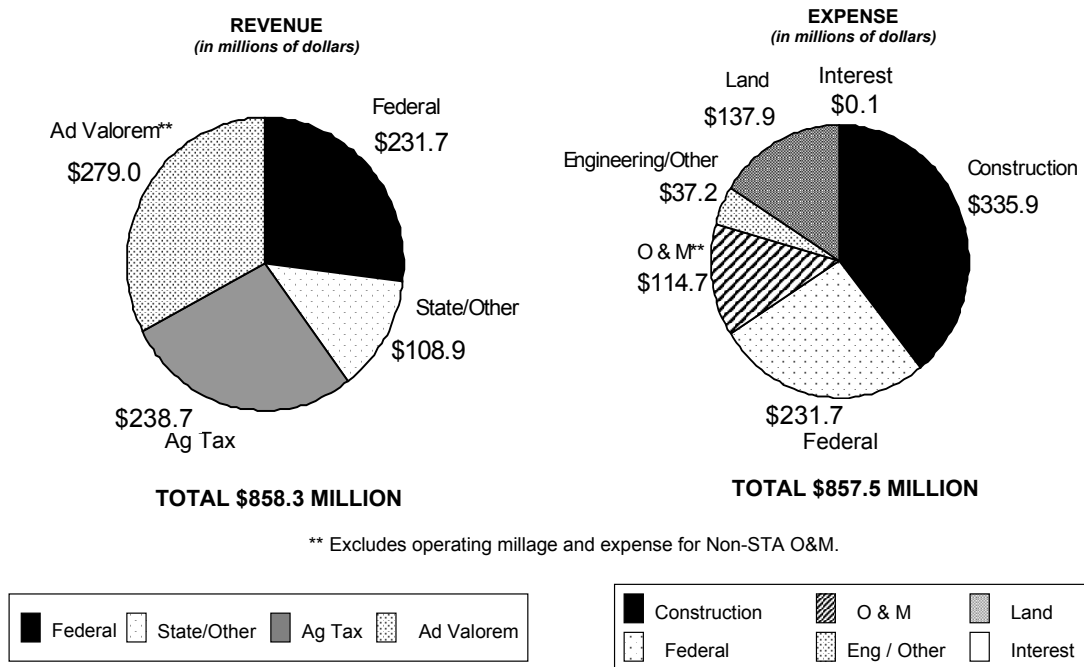
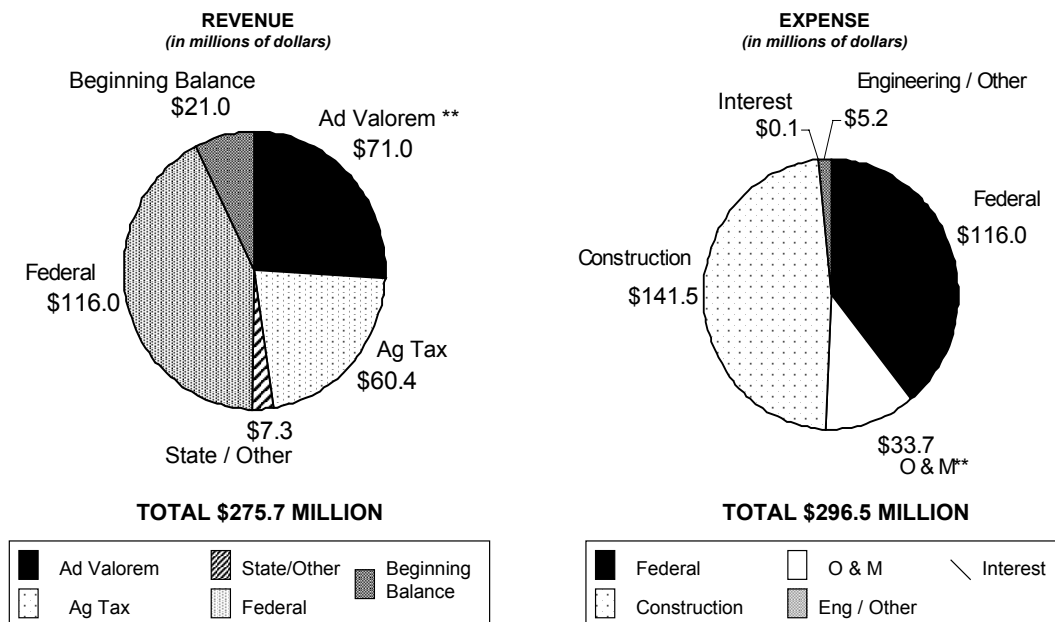


Figure 8D-2. Current Project Estimates for 2001, Based on October 2001 ECP Financial Schedules

FIVE-YEAR PROJECTED ESTIMATES October 1, 2001 to September 30, 2006



** Excludes operating millage and expense for Non-STA O&M. Projected revenues are net of projection costs.

Figure 8D-3. Five-Year (October 1, 2001 through September 30, 2006) Projected Estimates for the ECP, Based on October 2001 ECP Financial Schedules

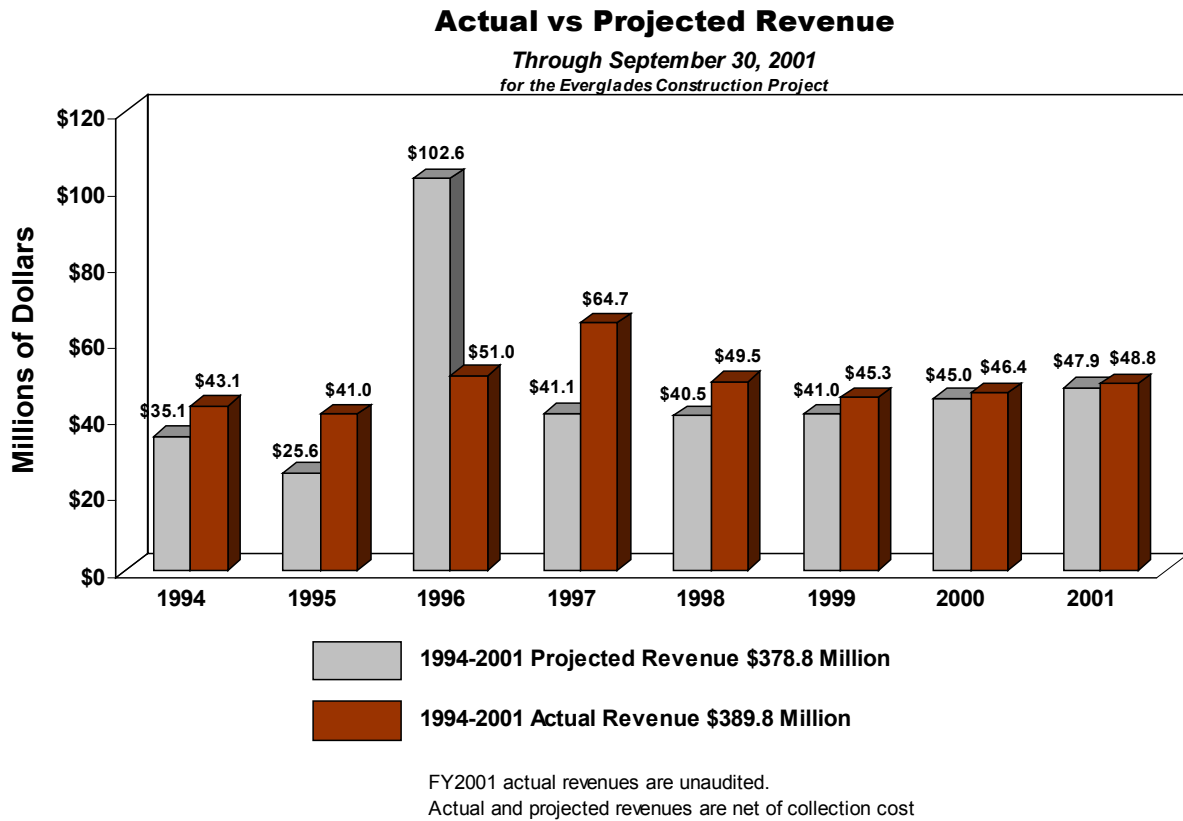


Figure 8D-4. Actual Versus Projected Revenues through September 30, 2001,
 Based on October 2001 ECP Financial Schedules